Thornapple Manor

Financial Report
with Additional Information

December 31, 2003

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type:	Local Government Name:	County
☐ City ☐ Township ☐ Village ☒ Other	Thornapple Manor	Barry

Audit Date	Opinion Date	Date Accountant Report Submitted To State:
December 31, 2003	March 26, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])
☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	**Enclosed**	**To Be Forwarded**	**Not Required**
The letter of comments and recommendations.	☒	☐	☐
Reports on individual federal assistance programs (program audits).	☐	☐	☒
Single Audit Reports (ASLGU).	☐	☐	☒

Certified Public Accountant (Firm Name): **PLANTE & MORAN, PLLC**			
Street Address: 67 West Michigan Avenue	City: Battle Creek	State: MI	ZIP: 49017

Accountant Signature

Plante & Moran, PLLC

Thornapple Manor

Contents

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Independent Auditor's Report

To the Barry County Family Independence Agency Board
Thornapple Manor

We have audited the balance sheet of Thornapple Manor (a component unit of Barry County, Michigan) as of December 31, 2003 and 2002, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thornapple Manor at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Facility adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of January 1, 2003.

Thornapple Manor has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

March 26, 2004

Thornapple Manor

Balance Sheet

	December 31	
	2003	2002
Assets		
Current Assets		
Cash (Note 2)	$ 260,205	$ 260,976
Accounts receivable (Note 3)	564,599	470,177
Taxes receivable	1,191,635	1,109,431
Other current assets	132,915	166,030
Total current assets	2,149,354	2,006,615
Assets Limited as to Use (Note 2)	3,879,708	3,049,822
Property and Equipment (Note 4)	3,209,452	3,353,384
Total assets	**$ 9,238,514**	**$ 8,409,820**
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 5)	$ 100,000	$ 100,000
Accounts payable	388,727	380,559
Accrued salaries and vacation pay	429,771	386,390
Patient trust liability	15,548	10,450
Third-party settlements	419,652	369,751
Medicaid interim payment advances	-	286,300
Deferred proportionate share revenue	77,130	102,600
Deferred tax revenue	1,191,635	1,109,431
Total current liabilities	2,622,463	2,745,481
Long-term Debt (Note 5)	2,100,000	2,200,000
Net Assets		
Invested in capital assets, net of related debt	1,009,452	1,053,384
Unrestricted	3,506,599	2,410,955
Total net assets	4,516,051	3,464,339
Total liabilities and net assets	**$ 9,238,514**	**$ 8,409,820**

Thornapple Manor

Statement of Revenue, Expenses and Changes in Net Assets

	Year Ended December 31	
	2003	2002
Operating Revenue		
Net patient service revenue	$ 8,149,240	$ 7,477,920
Proportionate share revenue	173,749	331,970
Other revenue	348,583	324,929
Total operating revenue	8,671,572	8,134,819
Operating Expenses		
Salaries	4,775,231	4,694,430
Other expenses	3,865,504	3,774,988
Total operating expenses	8,640,735	8,469,418
Operating Income (Loss)	30,837	(334,599)
Nonoperating Revenue (Expense)		
Property tax revenue	1,081,434	1,017,834
Interest expense	(129,963)	(140,400)
Interest income	67,081	86,119
Donations	2,323	420
Total nonoperating revenue, net	1,020,875	963,973
Increase in Net Assets	1,051,712	629,374
Net Assets - Beginning of year	3,464,339	2,834,965
Net Assets - End of year	**$ 4,516,051**	**$ 3,464,339**

See Notes to Financial Statements.

Thornapple Manor

Statement of Cash Flows

	Year Ended December 31	
	2003	2002
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	$ 7,818,419	$ 8,139,850
Cash received from other operating revenue	348,583	324,929
Cash received from proportionate share program	148,279	162,753
Cash paid to employees and suppliers	(8,316,072)	(8,224,754)
Net cash provided by (used in) operating activities	(791)	402,778
Cash Flows from Noncapital Financing Activities		
Contributions	2,323	420
Cash received from property tax levy	1,081,434	1,017,834
Net cash provided by noncapital financing activities	1,083,757	1,018,254
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(100,000)	(95,000)
Interest paid on long-term debt	(129,963)	(140,400)
Purchase of property and equipment	(96,067)	(232,233)
Net cash used in capital and related financing activities	(326,030)	(467,633)
Cash Flows from Investing Activities		
Interest received	67,081	86,119
Patient trust deposits	5,098	(7,869)
Purchases of investments	(829,886)	(872,869)
Net cash used in investing activities	(757,707)	(794,619)
Net Increase (Decrease) In Cash	(771)	158,780
Cash - Beginning of year	260,976	102,196
Cash - End of year	**$ 260,205**	**$ 260,976**

See Notes to Financial Statements.

Statement of Cash Flows (Continued)

A reconciliation of operating income (loss) to net cash from operating activities is as follows:

	Year Ended December 31	
	2003	2002
Operating income (loss)	$ 30,837	$ (334,599)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	239,999	263,547
Bad debts	-	22,826
(Increase) decrease in assets:		
Accounts receivable	(94,422)	(1,309)
Cost report settlement receivable	-	264,036
Property tax receivable	(82,204)	(62,056)
Prepaids and other current assets	33,115	(107,572)
Increase (decrease) in liabilities:		
Accounts payable	8,168	98,142
Accrued expenses	43,381	13,373
Deferred revenue	56,734	(107,161)
Interim advances	(286,300)	286,300
Third-party settlements	49,901	67,251
Net cash provided by (used in) operating activities	**$ (791)**	**$ 402,778**

There were no significant noncash capital and related financing activities for the years ended December 31, 2003 and 2002.

Note 1 - Nature of Business and Significant Accounting Policies

Thornapple Manor (the Facility) is a component unit of the County of Barry, Michigan.

The Facility is a 138-bed, long-term medical care unit owned and operated by Barry County. It is governed by the Barry County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Barry County Board of Commissioners, and one appointed by the Michigan Governor. Further, the County of Barry Commissioners approve the Facility's revenue and expenses as a line item in the County budget.

Basis for Presentation – The financial statements have been prepared in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the Facility's financial activities. There was no impact to the net assets of the Facility in adopting GASB No. 34.

Enterprise Fund Accounting – The Facility uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Assets Limited as to Use – Assets limited as to use consist of funds designated by the Barry County Family Independence Agency Board for future capital purchases.

Property and Equipment – All property and equipment are valued at historical cost. Donated assets are recorded at the fair market value at the time of the donation. Depreciation on such fixed assets is charged as an expense against the operations on a straight-line basis.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Sick and Vacation Pay – Sick and vacation pay are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Patient Trust Liability – The State Department of Treasury requires facilities to administer and account for monies of patients. The patient trust liability on the balance sheet represents patient trust fund deposits.

Taxes Receivable/Deferred Tax Revenue – Taxes are levied on December 1 and are payable by February 15. The cities and townships within the County bill and collect the property taxes for the County. County property tax revenue is recognized when levied. Deferred property taxes are amounts levied at December 1 of the current year, but applied to future operations.

In 2000, the voters of Barry County approved a levy annually of $.85 per $1,000 of assessed valuation for the purpose of general operations of the Facility. The levy was approved for ten years.

Proportionate Share Reimbursement Program (PSRP) – During the years ended December 31, 2003 and 2002, the Facility participated in the PSRP sponsored by the State of Michigan. During 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year that ended September 30, 2003. The second transaction in October was for the State fiscal year ending September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue. In 2002, two transactions were completed. The first transaction, in September, was recorded in revenue in relation to the State fiscal year that ended September 30, 2002. The second transaction in October was for the State fiscal year ended September 30, 2003 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

The above transactions resulted in revenue of $173,749 and $331,970 for the years ended December 31, 2003 and 2002, respectively, and deferred revenue of $77,130 and $102,600 at December 31, 2003 and 2002, respectively.

Net Assets – Net assets of the Facility are classified in two components. Net assets invested in capital consist of capital assets, net of accumulated depreciation, and reduced by any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are the remaining net assets that do no meet the definition of invested in capital or restricted.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Approximately 90 percent of the revenue from patient services is received from the Medicare and Medicaid programs. The Facility has agreements with the Medicare and Medicaid programs to provide reimbursement to the Facility at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Facility's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows.

Medicare – Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid – Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a cost reimbursement methodology.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Operating Revenue and Expenses – The Facility's statement of revenue, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Classification – Certain 2002 balances have been reclassified to conform with the 2003 presentation.

Note 2 - Deposits and Investments

The Facility's deposits and investments are composed of the following:

		2003		2002	
		Current Assets	Assets Limited as to Use (3)	Current Assets	Assets Limited as to Use (3)
Deposits:					
On deposit with County	(1)	$ 236,257	$ -	$ 242,526	$ -
On deposit with bank	(2)	23,548	-	18,200	-
Petty cash		400	-	250	-
Total cash		260,205	-	260,976	-
Certificates of deposit:					
On deposit with County	(1)	-	3,879,708	-	3,049,822
Total deposits and investments		$ 260,205	$ 3,879,708	$ 260,976	$ 3,049,822

(1) **Funds on Deposit with County** – These funds were under the control of the County Treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits. The certificates of deposit have maturity dates longer than three months.

(2) **Cash - Bank** – The above deposits were reflected in the accounts of a bank (without recognition of checks written but not yet cleared or of deposits in transit) at $77,032 and $52,240 at December 31, 2003 and 2002, respectively. It is impractical to determine the amount covered by federal depository insurance, as these funds are only a portion of the entire County deposits.

(3) **Assets Limited as to Use** – The assets limited as to use are funds designated by Barry County Family Independence Agency for future capital purchases.

Note 3 - Accounts Receivable

The details of accounts receivable are as follows:

	2003	2002
Patient receivables	$ 704,798	$ 510,177
Less allowance for uncollectible accounts	(75,000)	(40,000)
Less Medicaid interim payment advances	(65,199)	-
Accounts receivable, net	$ 564,599	$ 470,177

Note 4 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

	2002	Additions	Retirements	2003	Depreciable Life - Years
Land improvements	$ 178,592	$ -	$ -	$ 178,592	5-25
Buildings and improvements	5,718,826	-	-	5,718,826	10-40
Equipment	1,763,886	96,067	-	1,859,953	5-25
Total	7,661,304	$ 96,067	$ -	7,757,371	
Less accumulated depreciation:					
Land improvements	106,539	7,291	-	113,830	
Buildings and improvements	2,952,177	142,590	-	3,094,767	
Equipment	1,249,204	90,118	-	1,339,322	
Total	4,307,920	$ 239,999	$ -	4,547,919	
Net carrying amount	$ 3,353,384			$ 3,209,452	

	2001	Additions	Retirements	2002	Depreciable Life - Years
Land improvements	$ 178,592	$ -	$ -	$ 178,592	5-25
Buildings and improvements	5,639,707	79,119	-	5,718,826	10-40
Equipment	1,610,772	153,114	-	1,763,886	5-25
Total	7,429,071	$ 232,233	$ -	7,661,304	
Less accumulated depreciation:					
Land improvements	99,248	7,291	-	106,539	
Buildings and improvements	2,789,817	162,360	-	2,952,177	
Equipment	1,155,308	93,896	-	1,249,204	
Total	4,044,373	$ 263,547	$ -	4,307,920	
Net carrying amount	$ 3,384,698			$ 3,353,384	

Note 5 - Long-term Debt

Following is a summary of capital leases payable:

2003	Balance at Beginning of Year	Additions	Reductions	Balance at End of Year	Current Portion
Barry County Building Authority Bonds - 1994	$ 2,300,000	$ -	$ 100,000	$ 2,200,000	$ 100,000
2002					
Barry County Building Authority Bonds - 1994	$ 2,395,000	$ -	$ 95,000	$ 2,300,000	$ 100,000

Bonds - 1994

In accordance with an agreement entered into in 1994, by and between the Barry County Building Authority and Barry County, the County is leasing the improvements and additions made to Thornapple Manor financed by the Authority. The lease period extends through the year 2017, at which time the Authority shall convey ownership of the property to the County. The principal payments range from $100,000 due in 2004 to $225,000 due in 2017. The interest rates on the outstanding bonds range from 5.2% to 6.0% at December 31, 2003.

The Facility is accounting for these transactions as if they were direct obligations of the Facility.

Principal and interest payments on long-term debt are as follows:

	Bonds	
	Principal	Interest
2004	$ 100,000	$ 124,200
2005	125,000	118,288
2006	125,000	111,600
2007	125,000	104,788
2008	125,000	97,850
2009-2013	800,000	326,581
2014-2017	800,000	100,456
Total payments	$ 2,200,000	$ 983,763

Note 6 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Facility, as part of the County, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to general and auto liability (including medical malpractice), auto physical damage and property loss claims. The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

The Facility is insured for workers' compensation claims via a policy with a commercial carrier.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at December 31, 2003.

The Facility, as part of the County, is self insured for employee medical benefit claims. The Facility estimates the liability (included in accounts payable) for employee medical benefit claims incurred through the end of the fiscal year, including both those claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2003	2002
Estimated liability - Beginning of year	$ 75,000	$ 35,000
Estimated claims incurred, including changes in estimates	928,008	972,287
Claims payments	(928,008)	(932,287)
Estimated liability - End of year	$ 75,000	$ 75,000

Note 7 - Maintenance of Effort

Maintenance of effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid patient day approved by the State during that month. The Facility pays M.O.E. directly to the State. M.O.E. expenses, included in operating expenses, totaled $206,222 and $210,328 for 2003 and 2002, respectively.

Note 8 - Retirement System

As disclosed in Note 1, the Facility is a component unit of Barry County. Barry County, including the Facility, participates in the Michigan Municipal Employees Retirement System. Specific information regarding Thornapple Manor is not available. The Michigan Municipal Employees Retirement System is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at MERS of 1134 Municipal Way, Lansing, Michigan, 48917.

The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

Facility contributions to the plan for the years ended December 31, 2003, 2002 and 2001 were $346,850, $256,333 and $250,019, respectively.

Note 9 - Endowment Funds Held by Third Parties

The Facility is the beneficiary of a trust, which is maintained by an outside trustee, the Barry Community Foundation. The balance in the trust was approximately $45,000 at December 31, 2003. Approximately, $25,000 of this balance is available for distribution to the Facility.

Additional Information

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To the Barry County Family Independence Agency Board
Thornapple Manor

We have audited the financial statements of Thornapple Manor for the years ended December 31, 2003 and 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of net patient service revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 26, 2004

Thornapple Manor

Schedule of Net Patient Service Revenue

	Year Ended December 31	
	2003	2002
Daily room services:		
Medicaid	$ 5,538,580	$ 5,133,249
Medicare	1,018,902	832,088
Other	953,107	836,852
Total daily room services	7,510,589	6,802,189
Ancillary services:		
Pharmacy	195,183	148,377
Laboratory	29,808	26,772
Radiology	15,009	8,973
Physical therapy	400,179	242,016
Occupational therapy	285,373	197,725
Speech therapy	37,320	35,145
Medical supplies	3,472	2,542
Oxygen	32,746	27,268
Total ancillary services	999,090	688,818
Total patient revenue	8,509,679	7,491,007
Provision for bad debts	-	(22,826)
Adjustments to charges - Medicaid and Medicare	(360,439)	9,739
Net patient service revenue	**$ 8,149,240**	**$ 7,477,920**

Schedule of Operating Expenses

	Year Ended December 31			
	2003			2002
	Salaries	Other	Total	Total
Administration	$ 404,042	$ 205,679	$ 609,721	$ 600,489
Maintenance	78,487	316,753	395,240	396,517
Laundry	194,909	63,120	258,029	205,740
Housekeeping	206,862	36,113	242,975	266,476
Dietary	458,693	345,293	803,986	817,729
Nursing	2,909,451	315,304	3,224,755	3,106,027
Nurse aide training	73,683	674	74,357	74,825
Competency testing	-	4,797	4,797	5,301
Diversional therapy	117,745	10,780	128,525	147,433
Barber and beautician	-	27,066	27,066	24,329
Inservice education	52,964	790	53,754	53,729
Physicians' services	-	12,000	12,000	11,000
Pharmacy	-	172,986	172,986	153,333
Rehabilitative therapy	278,395	12,343	290,738	298,938
Maintenance of effort	-	206,222	206,222	210,328
Fringe benefits	-	1,895,585	1,895,585	1,833,677
Depreciation	-	239,999	239,999	263,547
2003 Totals	**$ 4,775,231**	**$ 3,865,504**	**$ 8,640,735**	
2002 Totals	**$ 4,694,430**	**$ 3,774,988**		**$ 8,469,418**

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To the Barry County Family Independence Agency Board
Thornapple Manor
Hastings, Michigan

In planning and performing our audit of the financial statements of Thornapple Manor for the year ended December 31, 2003, we considered the Facility's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. In reviewing the Facility’s processes and systems, we made an observation we feel should be communicated to you. We have also summarized additional areas for Board consideration.

Business Office Structure – Improving Segregation of Duties

During the audit, we found that the person responsible for preparing the disbursements also reconciles the general checking account and the person responsible for the payroll records reconciles the bank statement for the payroll account. We feel that with the hiring of a new controller, Thornapple Manor has a good opportunity to structure the business office so that jobs are clearly defined and reporting lines can be set up to maximize the personnel, and create some segregation of duties to ensure proper controls.

Thank you for the opportunity to be of service to the Facility. Should you wish to discuss any of the items included in this report, we would be happy to do so.

Plante & Moran, PLLC

March 26, 2004